

Message Text

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SUBJECT: RETURNING WORKERS PROMPT NEW EMPHASIS ON PRIVATE SECTOR
EMPLOYMENT

SUMMARY: REPORTEDLY ABOUT 80,000 YUGOSLAV WORKERS RETURNED FROM WESTERN EUROPE IN 1975 BRINGING TWO-YEAR TOTAL NET RETURN TO AS MANY AS 140,000. RETURNEES COMBINED WITH NORMAL INCREMENT TO LABOR FORCE AND CONTINUING RURAL/URBAN MIGRATION ARE CAUSING SUBSTANTIAL LOCAL EMPLOYMENT PRESSURES ESPECIALLY IN BOSNIA-HERCEGOVINA AND CROATIA. RESPONSE TO THIS PRESSURE INCLUDES EFFORTS TO STIMULATE EMPLOYMENT OPPORTUNITIES IN PRE-DOMINANTLY PRIVATE SECTOR AREAS SUCH AS AGRICULTURE, CRAFTS AND SERVICES. SPECIAL EFFORTS TO ATTRACT RETURNEES' HARD CURRENCY SAVINGS INTO DOMESTIC INVESTMENT MAY HAVE INTERESTING IMPLICATIONS FOR EVOLUTION OF YUGOSLAV SOCIETY. END SUMMARY.

1. REPORTEDLY 80,000 YUGOSLAV WORKERS RETURNED FROM WESTERN EUROPE IN 1975 BRINGING TWO-YEAR TOTAL NET RETURN TO ESTIMATED 120 TO 140,000. ABSOLUTE NUMBER OF RETURNEES IS STILL LESS THAN OVERWHELMING, ALTHOUGH APPARENTLY INCREASING, BUT COMBINED WITH NORMAL INCREMENT TO LABOR FORCE AND CONTINUING RURAL/URBAN MIGRATION THEY ARE CREATING SUBSTANTIAL LOCAL EMPLOYMENT PRESSURES, ESPECIALLY IN SOME PARTS OF BOSNIA-
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HERCEGOVINA AND CROATIA. TOTAL EMPLOYMENT ROSE IN EXCESS OF

5. PERCENT IN 1975 AND 230,000 NEW JOBS WERE FILLED BUT THE NUMBER OF UNEMPLOYED ALSO INCREASED AND IN OCTOBER 1975 NUMBERED 564,000 AS COMPARED WITH 470,000 IN DECEMBER 1974 AND 400,000 IN DECEMBER 1973 (LABOR CERP AND ANNUAL TRENDS REPORT WILL DISCUSS EMPLOYMENT AND PRODUCTIVITY SITUATIONS IN GREATER DETAIL).

2. ACCORDING TO LABOR OFFICIALS SKILL AND OCCUPATIONAL STRUCTURE OF RETURNEES IS UNSATISFACTORY RELATIVE TO THE NEEDS OF YUGOSLAV ECONOMY, WHICH DESPITE HIGH UNEMPLOYMENT HAS REPORTED 200,000 VACANCIES FOR SKILLED WORKERS. IN 1974 RETURNEES WERE MOSTLY UNSKILLED LABOR FROM GERMAN AND AUSTRIAN CONSTRUCTION, METAL AND TEXTILE INDUSTRIES AND THEY TENDED TO RETURN TO YUGOSLAV AGRICULTURAL SECTOR. IN 1975 LARGER NUMBER OF RETURNEES WERE SEEKING EMPLOYMENT IN YUGOSLAV INDUSTRIAL SECTOR IN SMALL AND MEDIUM-SIZED TOWNS. YUGOSLAV LABOR OFFICIALS CLAIM 1975 RETURNEES ARE STILL BASICALLY UNSKILLED LABOR WHO ARE NOT SUITED TO SKILL REQUIREMENTS OF YUGOSLAV ECONOMY, AND ARE CREATING LOCAL EMPLOYMENT PRESSURES DIFFICULT TO SATISFY.

3. YUGOSLAV LABOR AND TRADE UNION OFFICIALS NOTE "MASSIVE" INQUIRIES IN DECEMBER AND JANUARY CONCERNING EMPLOYMENT OPPORTUNITIES IN COUNTRY BY YUGOSLAV WORKERS VACATIONING IN YUGOSLAVIA DURING WINTER HOLIDAYS, SUGGESTING WORKER INSECURITY ABOUT THEIR JOBS IN WESTERN EUROPE AND PERHAPS PORTENDING LARGER NUMBER OF RETURNEES IN 1976 IF WESTERN EUROPEAN ECONOMIES DO NOT PICK UP.

4. YUGOSLAV DOMESTIC RESPONSE TO EMPLOYMENT PRESSURES FROM RETURNEES INCLUDES NEW EMPHASIS ON CREATING EMPLOYMENT OPPORTUNITIES IN SECTORS SUCH AS AGRICULTURE, SMALL CRAFTS AND SERVICES, WHICH ARE PREDOMINANTLY PRIVATE. WHILE PRIMARY RESPONSIBILITY FOR EMPLOYMENT RESTS WITH LOCALITIES (ENTERPRISES AND OPSTINAS), WHICH HAVE TRADITIONALLY DISCOURAGED PRIVATE SECTOR ACTIVITIES, FEDERAL OFFICIALS ARE ENCOURAGING REVISION OF LOCAL TAX STRUCTURES AND OTHER ECONOMIC REGULATIONS IN ORDER TO ENCOURAGE GREATER OPPORTUNITIES FOR PRIVATE BUSINESS.

5. HOW TO ATTRACT RETURNEES' HARD CURRENCY SAVINGS INTO LIMITED OFFICIAL USE

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EXISTING OR NEW LOCAL PLANT INVESTMENT IS IMPORTANT ISSUE WITH INTERESTING IMPLICATIONS FOR FUTURE DEVELOPMENT OF RELATIONSHIP BETWEEN PRIVATE AND SELF-MANAGED SOCIAL SECTORS HERE. SOME ENTERPRISES, ESPECIALLY IN SLOVENIA, ARE OFFERING ASSURED EMPLOYMENT, OFTEN IN EXCELLENT JOBS, TO RETURNEES AND FAMILY WHO ARE WILLING TO INVEST SAVINGS IN THE ENTERPRISE. ARTICLE 28 OF '74 CONSTITUTION PERMITS USE OF PRIVATE FUNDS IN SOCIAL SECTOR BUT DOES NOT SPECIFY

WHAT BENEFITS ARE PERMISSIBLE IN RETURN. SENIOR LABOR OFFICIAL TOLD EMBASSY SLOVENIA "INNOVATIONS" IN THIS AREA ARE "TOLERATED" BECAUSE THEY PROVIDE FOR GREATER INVESTMENT AND NEW JOBS BUT, HE ADDED, SOME POLITICIANS ARE OBJECTING TO THESE INNOVATIONS ON IDEOLOGICAL GROUNDS. HE ADDED OTHER REPUBLICS FACED WITH SAME PROBLEM AND ENVIOUS OF SLOVENIAN BOLDNESS ARE PRESSURING FEDERAL AUTHORITIES TO ENACT LEGISLATION ESTABLISHING "RULES OF GAME" IN THIS AREA.

6. INTERNATIONALLY YUGOSLAVIA IS ATTEMPTING SECURE WESTERN EUROPEAN AGREEMENT TO ASSIST YUGOSLAV WORKERS FORCED TO RETURN. ON BROAD POLICY LEVEL THIS FOCUSES ON ATTRACTING WESTERN EUROPEAN CAPITAL TO YUGOSLAVIA AS SUBSTITUTE FOR MIGRATION OF YUGOSLAV LABOR TO WESTERN EUROPE. THIS HAS REPORTEDLY BEEN SUBJECT OF DISCUSSION IN PAST BETWEEN TITO AND WEST GERMAN LEADERS. YUGOSLAV PRESS HAS PLAYED RECENT ANNOUNCEMENT OF GERMAN DECISION TO MOVE WHOLE FACTORY FOR MANUFACTURING BUILDING MACHINERY, TOOLS AND PALLETS FROM HOLZEN, GERMANY TO ARZNAO, YUGOSLAVIA AS EXAMPLE OF WHAT CAN BE DONE. AT LEVEL OF INDIVIDUAL WORKERS, YUGOSLAVS ARE DISCUSSING WITH GERMANS CREATION OF SPECIAL PROGRAM TO INSURE CERTAIN MINIMUM LEVEL OF TECHNICAL EDUCATION TO YUGOSLAVS PRIOR TO THEIR RETURN. WITH HOLLAND, YUGOSLAVIA IS TRYING TO WORK OUT PROGRAM PROVIDING FOR BUDGETARY TRANSFER (FROM HOLLAND TO YUGOSLAVIA) TO BE USED AS GRANT FOR YUGOSLAVS TO OPEN NEW JOBS FOR RETURNEES. IF SUCCESSFUL, YUGOSLAVS HOPE THIS WILL SERVE AS PRECEDENT FOR AGREEMENT WITH OTHER EASTERN EUROPEAN COUNTRIES.

7. COMMENT: STEADY STREAM OF RETURNEES TO YUGOSLAV SOCIETY, WITH ALREADY EXISTING AND GROWING EMPLOYMENT PROBLEMS, IS CAUSING LOCAL EMPLOYMENT PRESSURES THAT MAY HAVE BROADER POLITICAL AND SOCIAL SIGNIFICANCE. INTERESTING LIMITED OFFICIAL USE

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ASPECT OF YUGOSLAVIA'S PRAGMATIC EFFORTS TO DEAL WITH PRESSURES IS NEW EMPHASIS ON OFFICIALLY LONG-NEGLECTED AND/OR ABUSED PRIVATE SECTOR, AS WELL AS POSSIBILITY OF PUSHING BACK IDEOLOGICAL FRONTIERS IN ORDER TO CREATE SUFFICIENT INCENTIVES FOR PRIVATE INVESTMENT IN SOCIAL SECTOR. EMPLOYMENT PRESSURE FROM RETURNEES WHO HAVE LIVED IN MORE DEMOCRATIC MARKET SOCIETIES OF WESTERN EUROPE PROMISES CONTINUING CHALLENGE TO SOCIAL AND POLITICAL STRUCTURES AND VALUES THAT MAY BE MORE SIGNIFICANT IN LONG RUN FOR EVOLUTION OF YUGOSLAV SOCIETY THAN PURE ECONOMIC PROBLEMS ASSOCIATED WITH RETURNING WORKERS.
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